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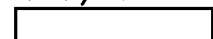
# **National Intelligence Bulletin**

State Department review completed

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USSR-US

Authoritative post-summit commentary on the meeting has begun to appear in the Soviet media. The reporting indicates that the Soviets are sufficiently satisfied with the agreements reached to stress the achievements of this summit over the general usefulness of such meetings as the main channel of bilateral consultation. The latter concept also receives fairly generous play.

The foreign editor of Izvestia, the official government newspaper, confirmed general Soviet satisfaction with the summit at the Spaso House reception on July 4, but noted his own feeling that more in arms control might have been achieved had not domestic difficulties limited the President's freedom to negotiate in this area. Others at the reception made the same linkage, one that the Soviet media have been careful to avoid.

Generally, the Soviet comments at Spaso House were predictably positive. Several Soviets took particular relish in their belief that US critics of the summit had been confounded. The Izvestia foreign editor took a more cautious approach, however, saying that his newspaper would await a review of US press reaction to the summit before offering its own major commentary.

The Soviet turnout for the reception was heavy, with deputy premiers Kirillin and Arkhipov heading the list. Although a Politburo member, First Deputy Premier Mazurov, was the ranking guest last year, the embassy doubts that any slight was intended. The embassy was told on July 1 that Kirillin would be the ranking Soviet guest. The absence of Politburo members may have been due to a Politburo meeting on July 4, the day after the conclusion of the summit. The following day the Politburo, the Presidium of the Supreme Soviet, and the Council of Ministers formally announced their approval of Brezhnev's report on the results of the summit meeting.

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### CHINA

A front-page photo of Premier Chou En-lai flanked by Senator and Mrs. Jackson, appearing in the Peking newspaper People's Daily on July 6, seems designed to reassure Chinese at all levels that Chou's illness is not serious enough to keep him from important matters of state. In connection with the Chou-Jackson visit on July 5, however, the Chinese people were told for the first time that Chou was in the hospital.

The People's Daily photo, which has also appeared in the US press, contains no hint of Chou's hospitalization. He is shown fully dressed and standing; he appears relatively fit.

Chou's meeting with the Senator had all the appearances of resulting from a last-minute decision. After seeing Chou, Senator Jackson went directly to a waiting plane for a provincial tour. The decision to hold the Chou-Jackson meeting may well have been influenced by foreign press speculation, vehemently denied on July 4 by a Peking Foreign Ministry spokesman, that Chou was dying.

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ITALY

Following parliamentary approval last week, Italy yesterday issued decree laws implementing an austerity program that is designed to increase government revenues by \$4.7 billion. Most of the funds will be used to lower the public sector's large deficit.

The program is a first step in improving Italy's international credit standing, which has been seriously weakened by extensive reserve losses and political instability. The new tax measures will dampen domestic demand, and if government estimates are accurate, will hold growth of the gross national product to between 3 and 4 percent this year. The anticipated drop in demand will reduce imports by about 10 percent over the next 12 months.

Important features of the program include:

--Corporation taxes will be increased from 25 to 30 percent.

--The value-added tax on beef and some other basic consumer items will rise to 18 percent from 6 percent and on alcoholic beverages and luxury goods to 30 percent from 18 percent.

--Gasoline taxes will increase 25 cents per gallon.

--Employer and employee health service charges will increase.

Italy's three main trade union federations have denounced the package as aimed principally at the working class. They are to hold a meeting on July 13 to decide what action to take.

With August vacations approaching, the real test of the government's program will probably come in the fall. Meanwhile, the labor unions will watch carefully to see where the burden of the austerity measures falls most heavily. The metalworkers' union has already threatened a strike in September if the austerity measures pinch lower paid workers too hard.

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### ARGENTINA

Argentina's nuclear energy program reflects an intent ultimately to develop a program free from dependence on foreigners.

The National Atomic Energy Commission recently accepted Argentina's first nuclear power reactor, a 320-megawatt (electric) natural uranium fueled facility at Atucha built by Siemens of West Germany. A similar, but larger, reactor will also be built at Cordoba by Canada. Both reactors are of the type easily adaptable to plutonium production.

These developments, together with Argentina's substantial natural uranium reserves, will help to achieve a completely indigenous fuel-cycle. Technical cooperation agreements with several countries--the latest with India following its initial nuclear test in May--could assist Argentina's nuclear aspirations. To date, the energy program, particularly in the selection of reactor types that produce residues suitable for nuclear weapons production, has been influenced by military recommendations. Argentina has not signed the Non-Proliferation Treaty, allegedly to keep open its option for developing nuclear explosives for peaceful purposes.

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MEXICO

A joint military operation against guerrilla leader Lucio Cabanas has not yet produced significant results. The action, involving about 2,000 troops, was launched on June 26 in an effort to kill Cabanas and rescue gubernatorial candidate Senator Figueroa, who was kidnaped with four assistants on May 30.

Mexican naval vessels are patrolling offshore from the area of Guerrero State where Cabanas is believed to be hiding and marines have joined army patrols in cordoning off the area. On July 2, army troops discovered an abandoned camp believed to have been occupied by Cabanas, but--despite unconfirmed press reports of a guerrilla ambush and other clashes--they have apparently been unable to make contact with the group.



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FOR THE RECORD

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Pakistan-USSR: Prime Minister Bhutto has postponed his trip to Moscow that was to have begun today.

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The two sides have publicly explained the postponement on the grounds that urgent domestic issues require Bhutto to stay in Pakistan.

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Ethiopia: The tense atmosphere in Addis Ababa appears to be easing in the wake of Emperor Haile Selassie's recent agreement to allow military supervision of the government. Parliament will meet in special session today to consider constitutional changes that will strip the Emperor of many traditional powers. The military has eased the ban on travel, permitting the foreign minister to visit Zaire, and soldiers have been withdrawn from outside banks. Meanwhile, six more top officials charged with corruption have surrendered to military authorities.

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